



## **Finland's experiment with giving away money shines a light on the idea of universal basic income**

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There might be no free lunch, as the saying goes, but a bold experiment in Finland has renewed interest in the idea of money for nothing.

In January 2017, the country embarked on a two-year pilot program that gave 2,000 unemployed citizens the equivalent of nearly \$700 a month, with no strings attached. The program will run through the beginning of next year after the government announced this week that it would decline to extend the duration of the program.

The idea of a guaranteed or universal income, often abbreviated to UBI for “universal basic income,” has attracted attention on this side of the Atlantic, as well. Mark Zuckerberg floated the idea in the speech he gave last year at Harvard University’s commencement, and Facebook co-founder Chris Hughes argued in an editorial earlier this year that working Americans who make less than \$50,000 a year should get a monthly stipend of \$500.

Alaska has the closest program to a UBI in this country: The Alaska Permanent Fund distributes an annual dividend based on oil and gas investment returns to every person in the state annually.

Social scientists say stagnant incomes, rising inequality and technological advances all factors in the growing interest in universal income. To combat the problem, Hughes co-founded the Economic Security Project, an organization that advances the idea of a universal basic income in the United States.

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“Because of the extraordinary level of wealth inequality in this country we have to be thinking really big,” said Natalie Foster, co-founder and co-chair of the project. “Guaranteeing an income would pull millions and millions of people out of poverty and help stabilize the middle class,” she said.

“Recently, it’s attracted a lot of attention in large part because of fears of automation and that jobs will disappear,” said Ioana Marinescu, an assistant professor at the University of Pennsylvania’s School of Social Policy & Practice. “It’s an attempt to create economic security for all, and people don’t have to jump through hoops in order to qualify.”

Proponents say that no-strings-attached cash gives poor people more flexibility and autonomy to decide what’s best for them financially — an idea that makes the UBI appealing to those on both sides of the political spectrum.

#### HOW TO DEFINE IT?

“We have existing programs targeted to low-income people — SNAP, public housing, Medicaid, other types of what we call in-kind support,” said Damon Jones, an associate professor at University of Chicago’s Harris School of Public Policy. “There’s one argument that if you give someone cash they can best decide what it’s used for,” he said.

For a simple phrase, there are a surprising number of variables. Some people propose that universal be just that — everyone gets a payment — even though this ultimately means that people wealthy enough not to need an income supplement will receive one anyway.

This could help make it politically palatable, though. “Sometimes when programs are universal, they’re more politically feasible and sustainable,” Jones said, pointing out broad support among Americans of all political stripes for Social Security and Medicare.

Tying a supplemental income system to the existing tax code or to a worker’s existing pay is another option, although experts say a universal payment system would be simpler to administer than one that phases out based on earnings or other criteria.

Another big question is what constitutes “basic.” Some supporters advocate for a level sufficient to live on — albeit frugally — although there are concerns about how much this would cost and where the money to fund it would come from. There are also questions about whether people in larger households, or who live in more expensive parts of the country, should get higher payments.

Critics of UBI say it discourages people from having jobs, but Facebook’s Hughes argued that the closest analogue we have — the Earned Income Tax Credit, which gives families up to \$6,000 in supplementary income a year — hasn’t been a disincentive to work, and studies of Alaska residents before and after the state’s oil fund was established found that the extra money led to an increase in part-time work, but no falloff in full-time employment.

Some experiments with cash grants to poor people in developing countries have shown promise, but researchers say comparisons to the United States are limited, since the landscape of economic challenges and opportunity looks much different in the world’s largest economy.

“What I like about the UBI debate is it puts the spotlight for fiscal policy back on everyday people and why we don’t do more to address them,” said Rakeen Mabud, program director of the 21st-century economy program at left-leaning think tank the Roosevelt Institute. “Our economy is moving in a direction where that social contract is breaking down,” she said.

## HOW TO MAKE IT WORK?

Creating a universal income program here would also be much more expensive, and the question over how it would be funded looms large.

Although the idea of a guaranteed income has garnered support from economists on both sides of the political aisle, those on the left generally see it as a supplement to the existing safety net, while right-leaning analysts view it as a substitute.

“That’s a huge ideological divide,” said Michael Tanner, a senior fellow at the Cato Institute, a right-leaning think tank. “On the right, it’s seen as a replacement for welfare. On the left, it’s seen as in addition to,” he said.

Absent the elimination of big poverty-reduction programs like food stamps and housing subsidies — steps that still might not be enough to fund a true UBI — the government would need to raise taxes.

“In the short run, the most promising way to go about this would be to use a carbon tax. We need to reduce emissions anyway, then we can take the revenue from the carbon tax and give it back on a per capita basis,” Marinescu said.

Other proposals have suggested raising the income tax on the wealthiest Americans, or funding a UBI system with taxes on a particular commercial activity like data collection or financial transactions — ideas that are appealing to liberals, but anathema to conservatives. “On the right, that’s a nonstarter. There’s no support for higher taxes,” Tanner said.

Although this stalemate over funding could be an insurmountable impasse for policymakers seeking to implement a federal UBI, states and municipalities are putting their toes in the water with smaller-scale experiments. The San Francisco suburb of Stockton launched a pilot program this year to give \$500 a month to some of its lowest-income residents, and a few Western states — California, Washington and Hawaii — have considered the idea.

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Advocates are hopeful that these efforts could serve as prototypes for an eventual national model. “As we move forward, the scope of the problem will become so clear and so big, people across both sides of the aisle will recognize something has to change,” Foster said.

“It’s a broader question of what we value as a society,” Mabud said. “As a country, we’ve been prioritizing the interests of the wealth few for many many years.”

Redistributive programs like universal basic income, she argued, would help level this playing field. “They’re taking agency and power from the top of the economy, corporations and 1 percent and putting it back in the hands of everyday people. All of these are allowing people to have more agency in their economy.”